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SIPDIS

SENSITIVE

AF-S FOR HTREGER AND JMALONEY

PRETORIA FOR JRIPLEY

JOHANNESBURG FCS FOR RDOVAN, JVANRENSBURG

USDOC FOR RTELCHIN

MCC FOR SGAULL, TBRIGGS

PASS USAID FOR AA/AFR AND AFR/SA

E.O. 12958: N/A

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SUBJECT: MOZAMBIQUE - AUGUST ECONOMIC DIGEST

1. (U) The following is a brief summary of significant economic issues in Mozambique in August 2005. We provide it as a supplement to our other reporting.

2. (U) Index:

- Labor Arbitration Centers Planned by End of Year
- Government Reorganizes Anti-Corruption Office
- Audit of Alleged Criminal Activity Underway at Austral Bank
- EU Launches Zambezi Bridge Tender
- Mozambique and Swaziland Agree to Abolish Visas
- 73,000 Mozambicans work in South Africa's Mines
- Mozambique to Open New Border Post/Park Entrance in Transboundary Park
- New National Park Planned (Mozambique's Ninth)
- HIV/AIDS Kills 1,000 Police Each Year
- WHO Gives Green Light to DDT Spraying for Malaria

3. (U) Government Hopes to Establish Labor Arbitration Centers in Provincial Capitals - On August 10 Labor Minister Taipo, while visiting Mozambique's second city, Beira, announced that the government plans to open labor conflict arbitration centers in all ten provinces by the end of the year, provided it can obtain sufficient funds from donors. The centers are intended to give the government the means to relieve the court system of an enormous backlog of labor cases - over 14,000. In making the announcement, Minister Taipo added that there were a sufficient number of arbitration experts, provided jointly by the Ministry, employers and trade unions, ready to staff the centers. She noted, however, that the government had not yet obtained all necessary funding from international donors. Mozambique's proposal for a compact with the Millennium Challenge Corporation calls for centers in four northern provinces.

4. (SBU) Government Reorganizes Anti-Corruption Office - Attorney General Madeira announced on August 12 that the government would revamp its Anti-Corruption Unit and form a new body called the Corruption Fighting Office. The unit will be headed by Assistant Attorney General Rafael Sebastiao. Madeira pointed to the creation of the new office as an instance of reform of the public sector. According to him, the previous Anti-Corruption Unit was more of an ad hoc arrangement, with its staff drawn from other attorneys, offices on a quasi-temporary basis. The new Corruption Fighting Office, however, would be institutionalized under the Attorney General as an autonomous body "permanently on duty." Note - The reorganization of the Anti-Corruption Unit comes only days after the government released the results of a study of public perception of corruption, which showed that the average Mozambican had very little confidence in the integrity of the public sector - particularly the judicial branch and the police. End note.

5. (SBU) Audit of Alleged Financial Crimes at Austral Bank - Finance Minister Manuel Chang told reporters on August 18 that auditors from Leboeuf, Lamb, Green, and MacRae have been, since "early this year," conducting an audit of the accounts of the failed bank, Banco Austral. This is the bank that was being supervised by Antonio Siba-Siba Macuacua when he was murdered in August 2001, allegedly because he had uncovered evidence of significant criminal activity. No one has been arrested so far for his death. The bank was later bought by the South African banking corporation, ABSA. Minister Chang said the audit was being done at the request of the government and not due to any pressure from outside donors. Comment - Donors have been united since 2001 in pushing the government for this audit and to fully investigate the crime. End comment.

6. (U) EU Launches Tender for Building Zambezi Bridge - On August 13 the EU announced a tender for bids to build Mozambique's new national highway bridge over the Zambezi at Caia. The EU has allocated 80 million dollars for the building of the new bridge. The bridge will reconnect the north and south of the country along the national highway. It will replace a system of ferries used to move vehicles, people and goods across the river. The ferry system was adopted after a previous bridge in the area was destroyed during the civil war.

17. (U) Mozambique and Swaziland to Abolish Visa Requirements - On August 16 Swaziland's King Mswati III and President Guebuza signed an agreement abolishing all visas between the two countries, to be implemented on October 1. The purpose is to allow the free circulation of people and goods between the two countries, and thereby promote mutual economic development. In April this year Mozambique and South Africa eliminated the need for visitor visas for those from either country for stays of less than 30 days. This has led to noticeably more border traffic and trade between Mozambique and South Africa.

18. (U) South African Mines Employ 73,000 Mozambicans - On August 11 Deputy Labor Minister Nhaca told reporters that 73,000 Mozambicans were employed in mines in South Africa. He noted that the number of Mozambicans working in the mines has been declining in recent years, down from a peak of 103,000 in 1975. Nhaca explained that South Africa's 2003 immigration law made it more difficult for foreigners, including Mozambicans, to be recruited to work in the mines.

19. (U) New Border Post, Entrance to Limpopo Park, to Open in October - Mozambique plans to open a new border post, enabling tourists to enter its newly-established Limpopo Park. On August 23 a delegation from seven Mozambican ministries visited the Parfuri border post, where the frontiers of South Africa, Zimbabwe and Mozambique meet, to inspect the new crossing point/entrance to the park, which the government plans to open in October. The Limpopo Park is part of a bigger transboundary body, known as the Cross-Border Limpopo Park, formed from the union of the three adjacent parks: Kruger Park (South Africa), Gonarhezu Park (Zimbabwe) and Mozambique's Limpopo Park. Mozambique plans to have the three heads of state from the three adjoining countries on hand for the official opening of the new border post and park entrance. Comment: USAID funded a great deal of the initial work on establishing the larger transboundary park. The African Wildlife Fund is working in Mozambique's Limpopo Park using USAID funds. End Comment.

110. (U) Mozambique to Establish its Ninth National Park -- The Government of Mozambique is planning to establish a new national park by the end of 2006, according to a wildlife expert in the Ministry of Tourism speaking on August 9. The park is to cover a stretch of coastline in northern Mozambique from geocoordinates 173000S/0383000E to 170000S/0393000E (an area midway between the towns of Quelimane and Angoche), and will enclose numerous primary and secondary islands, some of which lie 15 miles offshore. The government is also considering including the Sofala Bank, an adjacent undersea region rich in marine life, as part of the park, but a final decision on adding this area has not yet been made. This will be Mozambique's ninth national park.

111. (U) HIV/AIDS Kills 1,000 Police Every Year - Deputy Interior Minister Mandra told reporters on August 16 that the HIV/AIDS pandemic was aggravating staffing shortages in the police force, killing about 1,000 police officers every year. He added that the number of officers succumbing to the disease was "increasing by the day."

112. (U) WHO Gives Green Light to Use of DDT in Mozambique - Former Prime Minister Mocumbi, speaking at a meeting of the African Regional Committee of the World Health Organization (WHO) in Maputo August 25, said that the WHO had decided to approve the use of the pesticide DDT in Mozambique (and elsewhere in Africa) to control the spread of malaria. Mozambique began spraying DDT in malarial areas of the country earlier this year, following the example of South Africa and other neighboring countries.

La Lime